

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1543 - HB 1437

March 22, 2021

SUMMARY OF ORIGINAL BILL: Requires the Department of Revenue (DOR) to submit a summary by February 1, 2022 to the Finance, Ways, and Means Committees of the Senate and of the House of Representative regarding municipalities that have sports facilities that are allowed to retain tax revenues for capital projects and retiring of debt.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005659): Deletes all language after the enacting clause. Makes multiple changes to the state and local sales tax apportionments to municipalities with National Football League (NFL) and Canadian Football League (CFL) franchises.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue - \$2,000,000/FY21-22 and Subsequent Years

Increase Local Revenue - \$2,000,000/FY21-22 and Subsequent Years

Other Fiscal Impact – Additional shifts of funds in the amount of \$1,774,200 in each FY21-22 through FY28-29 and a recurring amount of \$5,414,300 beginning in FY29-30 will occur from a special state account to the Davidson County sports authority. Such funds are currently utilized for the repayment of the sports authority's debt.

To the extent large capital investments occur at Nissan Stadium and the contiguous campus, the proposed legislation would result in significant foregone state revenue and a corresponding increase in local revenue. Due to multiple unknown variables, the timing and magnitude of such impacts cannot be quantified with reasonable certainty. However, upon full development of the campus, such amounts could exceed \$10,000,000 per year.

Assumptions for the bill as amended:

- The proposed legislation will impact state and local sales tax revenue allocations, currently generated from events and merchandise of the Tennessee Titans.
- Under current law, revenue derived from the sale of admissions to events of the Tennessee Titans and also the sale of food and drink sold on the premises of the Nissan Stadium in conjunction with those games, parking charges, and related services, as well as the sale by the Tennessee Titans within Davidson County of authorized franchise goods and products is deposited into a special account of the General Fund and allocated for debt repayment for bonds issued for the construction of the Nissan Stadium. The state sales tax rate subject to such allocation is 5.5 percent. The allocation is limited to a period of 30 years and is currently set to expire in 2029.
- Based on information provided by DOR, the three-year average amount of state sales tax allocated towards the special account for the bonded debt repayment is \$5,414,330.
- Based on information from the Department of Finance and Administration, an average of \$3,640,178 has been paid against such debts each year from this account. Any unspent funds remain in the account to be utilized for future debt payments.
- The proposed legislation establishes that revenue generated from such events and merchandise sales is to be distributed to Davidson County's sports authority except for debt repayment amounts that are specified in this legislation through FY28-29. The allocation of state sales tax revenue is to continue as long as the Tennessee Titans hold a lease on the sports facility.
- The specified debt repayment amounts approximate current average debt repayments from the special fund. However, under the proposed legislation an estimated \$1,774,152 (\$5,414,330 - \$3,640,178) will now be allocated to the sports authority, beginning in FY21-22, with the full amount, or \$5,414,330, to be allocated to the sports authority beginning in FY29-30.
- In addition, the proposed legislation establishes that the state sales tax revenue generated from the 5.5 percent tax rate from the sales associated with all events occurring at Nissan Stadium and not just events associated with the Tennessee Titans, are to be allocated to the sports authority.
- Such events are estimated to generate approximately \$2,000,000 in state sales tax revenue that will now be allocated to the sports authority, resulting in a decrease in state revenue and a corresponding increase in revenue to the local sports authority of \$2,000,000 in FY21-22 and subsequent years.
- Additionally, the proposed legislation establishes that 50 percent of the state sales tax revenue derived from the 5.5 percent tax rate on all sales in a designated area not exceeding 130 acres contiguous to the Nissan Stadium, not separated by the Cumberland River, is to be distributed to the sports authority.
- Currently the approximately 130-acre campus around the stadium is used for parking, for which the sales tax is currently allocated for NFL events; however, should any plans for the 130-acre campus development come to fruition, the proposed legislation would result in 50 percent of state sales tax revenue generated from such new businesses to be allocated to the sports authority. Since such revenue is not currently collected, any such impact is considered foregone state revenue and an increase in local revenue.

- Due to multiple unknown factors and the uncertainty regarding future developments, precise timing and magnitude of such impacts cannot be quantified with reasonable certainty. However, it is reasonably assumed that if the campus is fully built out to include hotels, retail establishments, eating and drinking places, and other similar establishments, the amount of foregone revenue and an equivalent increase in local revenue would exceed \$10,000,000 upon such full buildout.
- The proposed legislation to a large extent mirrors the abovementioned provisions regarding state sales tax revenue on the local option sales tax revenue.
- Any impact to local option sales taxes is considered a shift in revenue from the municipality to the sports authority of that municipality and the net impact on local government revenue from such shifts will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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